

Chapter-10

Financial Market



Prepared by, **BINOY GEORGE**

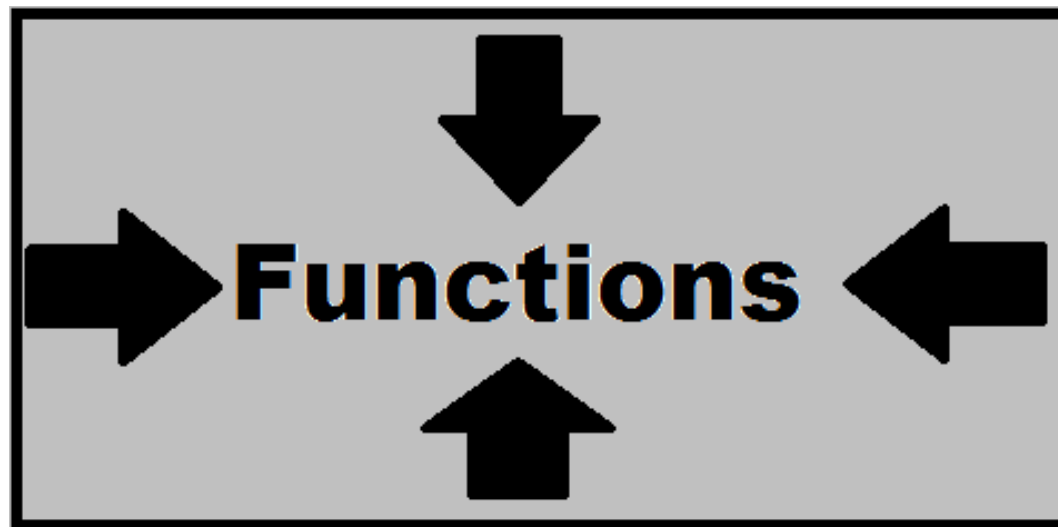
Financial Market

Financial markets is the market, which act as an intermediary and makes possible the transfer of funds from the savers to investors .Business needs finance for both fixed and working capital requirements. Financial markets consists of two major segments-(1) **Capital Market** (the market for medium and long term funds) and (2) **Money market** (the market for short term funds)



Functions of Financial Market

- 1. Mobilization and channelizing the savings into the most productive uses**
- 2. Facilitating price discovery**
- 3. Providing liquidity to financial asset**
- 4. Reducing the cost of transaction**



Functions of Financial Market

1. Mobilization and channelizing the savings into the most productive uses

Financial market facilitates transfer of savings from people (savers) to investors. Financial offers different investment avenues to savers and help to channelise their savings into most productive use.



Most of the companies raise their major portion of capital from share market.

Functions of Financial Market

2. Facilitating price discovery

Financial market helps in creation of financial assets by issue shares and debentures and also helps in establishing the price of financial assets.



Functions of Financial Market

3. Providing liquidity to financial asset

Financial market provides liquidity to financial assets by facilitate easy purchase and sale of financial assets. It helps the investors to convert their securities into cash.



Functions of Financial Market

4. Reducing the cost of transaction

The valuable information about securities are provided through financial market. It is very helpful for buyers and sellers of financial securities and they can save their time, efforts and money in their dealings.



NEWS ALERT

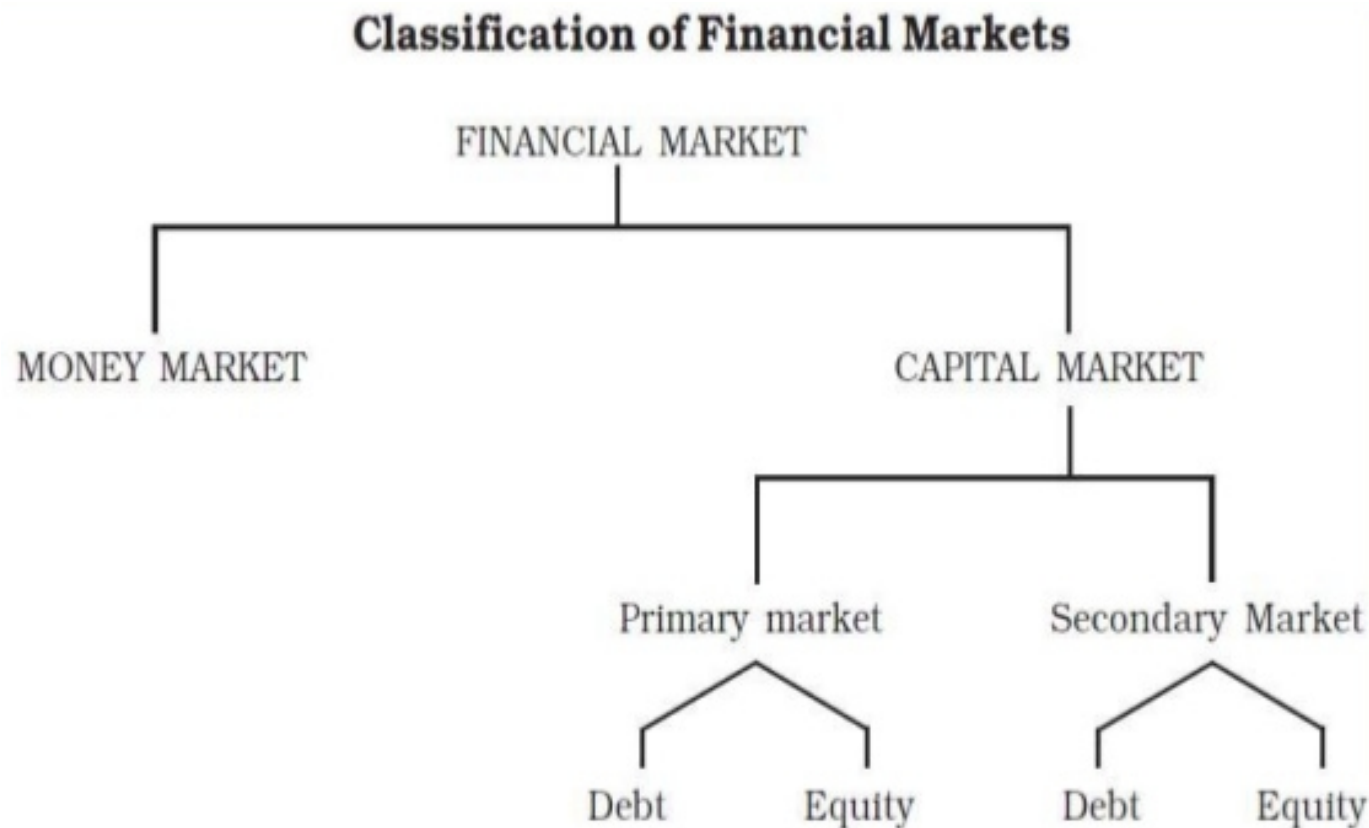
Ex- Dividend Date

Stewardship Financial Corp (SSFN) will begin trading ex-dividend on July 31, 2018. A cash dividend payment of \$0.1 per share is scheduled to be paid on August 15, 2018. Shareholders who purchased SSFN prior to the ex-divide date are eligible for the cash dividend payment. This marks the 10th quarter

Types of Financial Markets

There are broadly two types of financial markets in an economy :-

1. Money market
2. Capital market



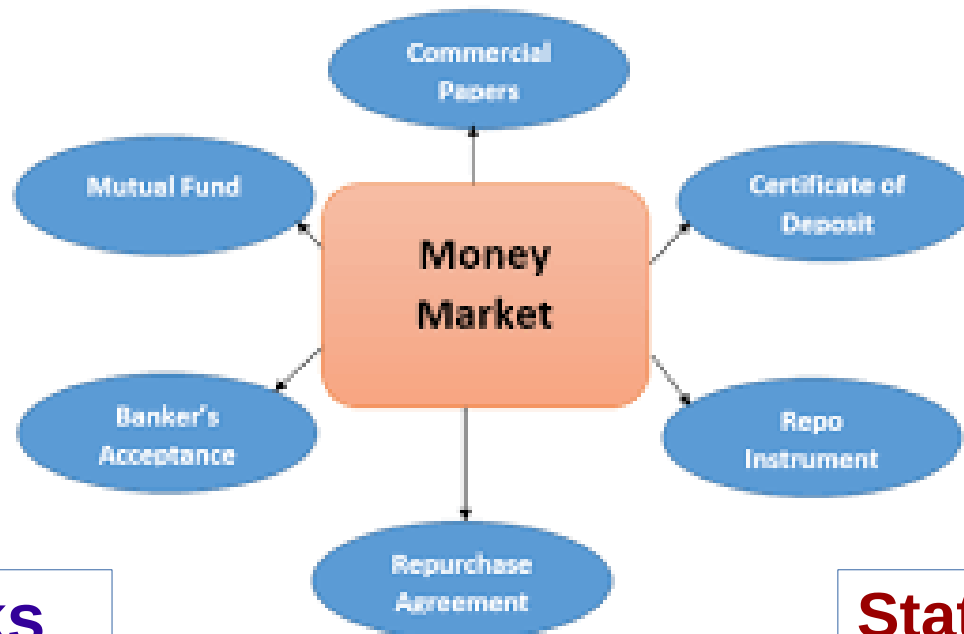
Types of Financial Markets

1. Money market

Money market is a market for short term funds. It deals in monetary assets whose maturity period is up to one year. Treasury bills, commercial paper, call money, certificate of deposits etc. are important financial instruments in call money market. RBI, commercial banks, Mutual Funds etc are main participants in the Money market.



Commercial Banks



State Governments

Money Market Instruments

1. Call Money
2. Treasury Bills (T-Bills)
3. Commercial Paper (CP)
4. Certificate of Deposit (CD)
5. Commercial bill/Trade bill/Bill of Exchange



Money Market Instruments

1. Call Money

Call money is short term finance repayable on demand, with a maturity of one day to 15 days. It is a market for extremely short period loans. The day to day surplus funds, mostly of banks are usually traded as call money. The interest rate paid for call money loans is known as the call rate.



CRR

Cash reserve ratio

Duration

**1 To 15
DAYS**

These loans are repayable on demand at the option of either lender or the borrower.



Money Market Instruments

2. Treasury Bills (T-Bills)

These Bills are issued by Reserve Bank of India (RBI) on behalf of the Government of India to meet its short term requirements of funds. These are short term credit instruments for a period of less than one year. These are sold to the banks and the public. Treasury bills are negotiable instruments and freely transferable.



< ONE YEAR



सत्यमेव जयते

Government of India

Money Market Instruments

3. Commercial Paper (CP)

Commercial Paper is a short-term, unsecured money market instrument, issued as a promissory note by big business firms having excellent credit ratings. It has a maturity period of 15 days to one year. It is a source of short term funds for seasonal and working capital requirement is available for a minimum amount of Rs. 5,00,000 lakh or multiples thereof.

*Reputed
Company*

Promissory Note

Duration

**COMMERCIAL
PAPER**

WORKING
CAPITAL

**1 To 15
DAYS**

Money Market Instruments

4. Certificate of Deposit (CD)



A certificate of deposit (CD) is an unsecured and negotiable money market instrument issued by commercial banks or selected financial institutions against the money that is deposited. The period of these deposits ranges between 91 days to one year. CP is available for a minimum amount of Rs. 1, 00,000 lakh or multiples thereof. It is suitable when the deposit growth of banks is slow but the demand for credit is high.

बैंक ऑफ़ इंडिया Bank of India
L.F. No. 423545110000211
Head Office: 1, Nariman Point, Bombay 400 021.
A/c No. 000137
19
04-09-2010
संख्या एवं No: S SABUJ PRIMARY T
अल्पकालिक जमा रसीद SHORT DEPOSIT RECEIPT
Received from: JOINTLY BY ALL
Five Lakh only.
रुपये/Rupees 5,00,000.00
as a deposit at the rate of 7.25
5 years 0 months 0 days
प्रतिशत वार्षिक दर से Percent, per annum to remain until notice of
on either side expires.
रुके बैंक ऑफ़ इंडिया/For BANK OF INDIA
र./Rs. * Less TDS, if applicable
04-09-2010 19
04-09-2015 19
ब्याज/Interest Due
नियत तिथि Due Date
ब्याज/Manager 145599
Nomination : Not

Commercial Banks & Financial Institutions

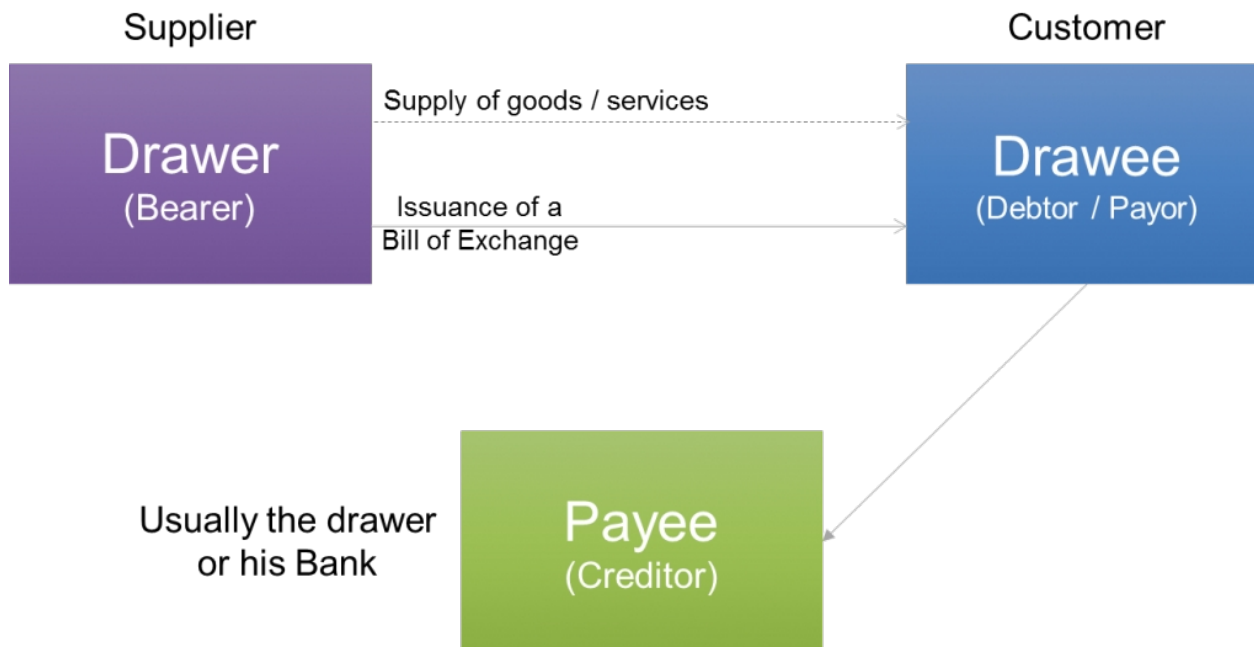
FD which can be sold In the secondary market

Duration
91 Days
To
1 Year

Money Market Instruments

5. Commercial bill/Trade bill

It is a short term negotiable instrument, which is used to finance the credit sales of the firm. Trade bill is issued by the seller (drawer) on the buyer (drawee) for the value of goods delivered by him. These bills are of 30 days, 60 days or 90 days maturity.



Trade bill can be discounted with banks. When a trade bill is accepted by a commercial bank it is known as a commercial bill.

Types of Financial Markets

2.Capital market

Capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested. The maturity period of these securities are more than one year. Joint stock companies, stock exchanges, development banks, commercial banks, foreign investors and retail investors are the participants of capital market. A well established capital market is essential for economic development of a nation.

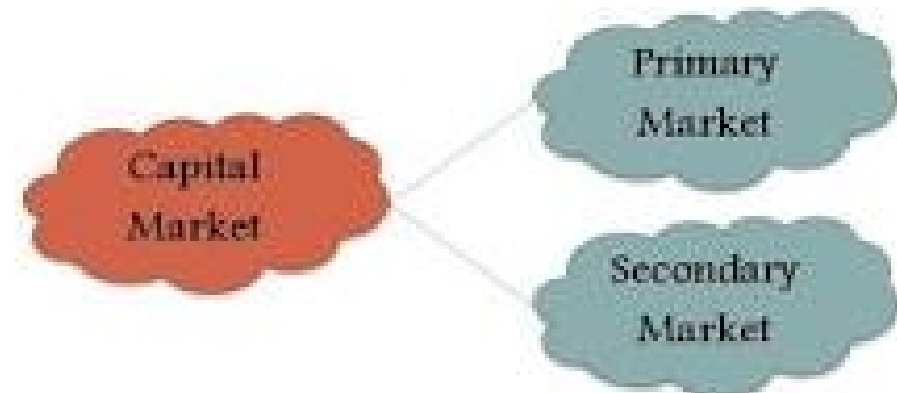
Source of
Fixed
Capital

Long Term Securities

SHARES

DEBENTURES

SEBI
NSE
BSE
FII'S
BANKS
BROKERS
INVESTORS



Base for economic development

Difference between Money Market and Capital Market

Basis	Money Market	Capital Market
Meaning	Market for short term funds	Market for Long term funds
1.Instruments	CP,CD,T-Bills,Trade bills etc	Equity Shares,Preference Shares,Debentures,Bonds
2.Participants	RBI,Commercial banks,NBFC,State Government,Companies,Mutual Funds	Stock Exchange, companies,Development banks,Commercial banks,FII's,Investors
3.Duration of Securities	Deals short term securities	Deals long term securities
4.Return	Low risk & less return	High risk & high return
5.Price	Determined by management	Determined by demand and supply for the security

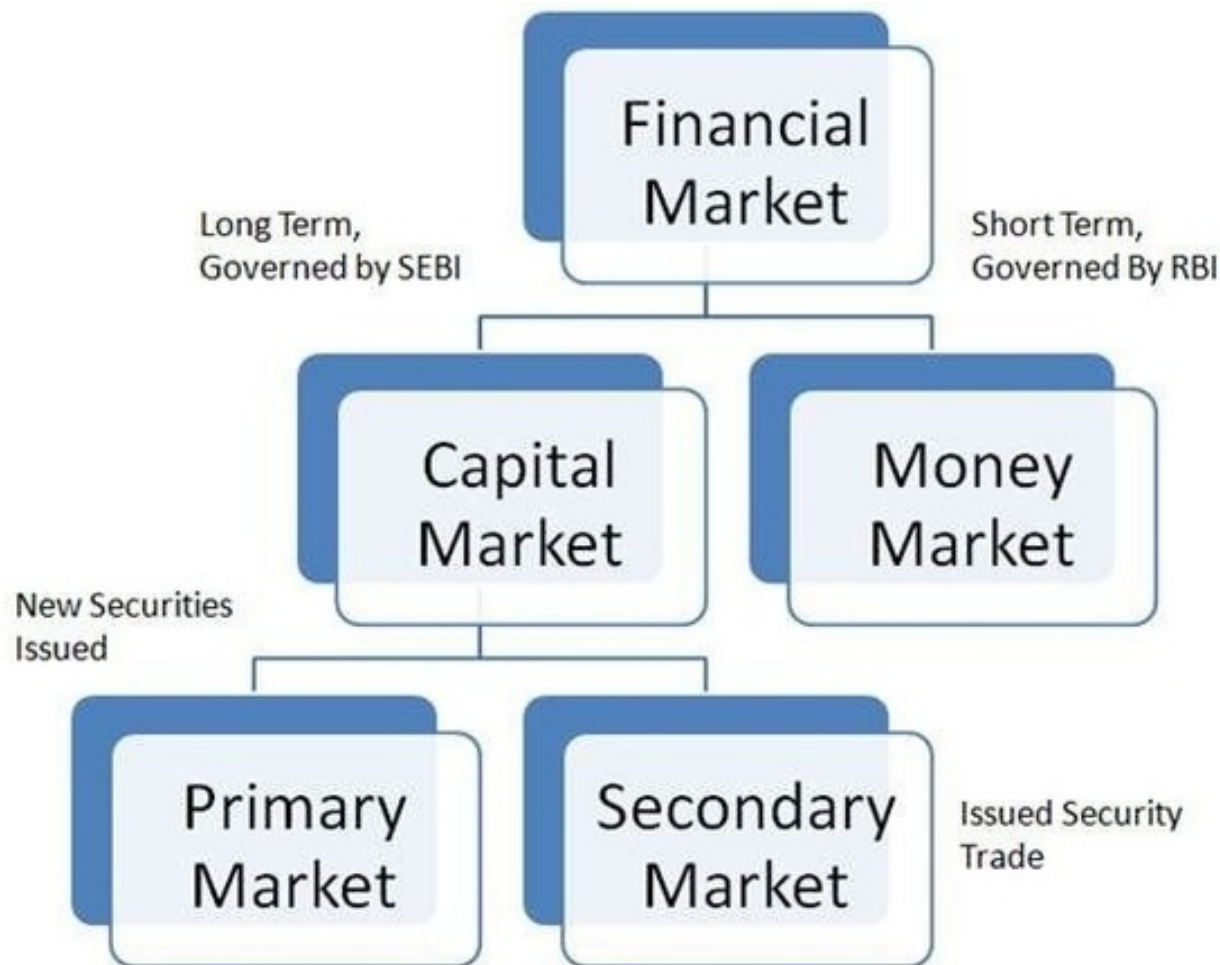
Difference between Money Market and Capital Market

Basis	Money Market	Capital Market
Impact	It directly promotes capital formation in the economy	It indirectly promotes capital formation as it ensures liquidity to existing securities.
Process	In primary marketing only buying,no selling of securities	In secondary market both buying and selling of securities regularly
Location	It has no fixed geographical location	It is located at fixed places
Purpose	Securities are issued to raise funds from public	Securities are traded for investment and speculative purpose
Securities	New	Second hand

Types of Capital Market

The capital market can be divided into two segment:-

- 1.Primary market
- 2.Secondary market

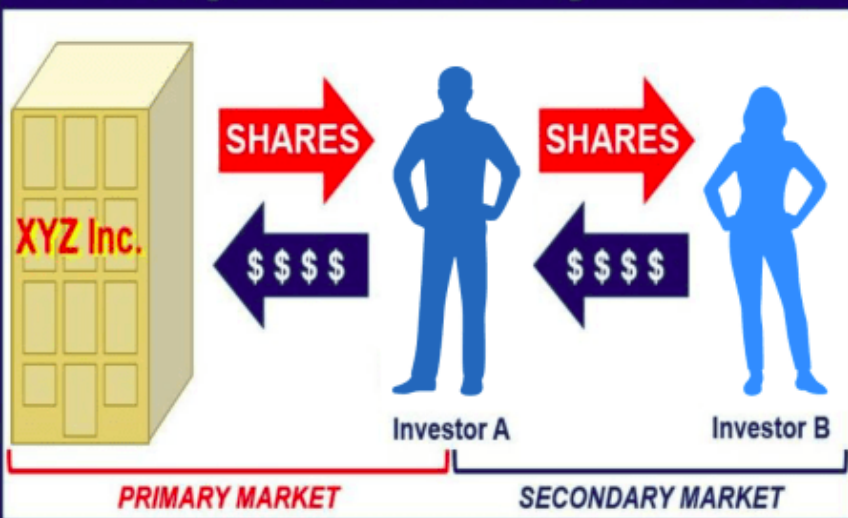


Types of Capital Market

1.Primary market

This is the market for new securities. In primary market companies issues shares, debentures and bonds directly to investors and collect required funds. Here buyers get new securities, so it is also called new issue market. In primary market company collect money and investors get new securities directly from company. Those who are assisting the activities of primary markets are underwriters, share brokers, stock exchanges, merchant bankers etc.

Primary & Secondary Markets



- ♦ Primary market deal with new securities.
- ♦ In Primary Market contact is between company and the investors, in secondary market it is between investors.
- ♦ In Primary Market company get cash and investors get new shares.

Methods of issuing securities in the in Primary Market

- 1.Public issue through prospectus
- 2.Offer for sale
- 3.Private placement
- 4.Right issue
- 5.e-IPOs



PUBLIC
ISSUE



Methods of issuing securities in the in Primary Market

1.Public issue through prospectus

Under this method, the company invites the general public to subscribe its shares or debentures through issue of 'prospectus'. The 'prospectus' contains everything about the company and public issue. These details help the public to understand and evaluate the earnings potential and risk in the proposed investment. This method requires bankers, brokers and underwriters to work as intermediaries. It is an expensive method.



- Most popular method
- Require advertisement and assistance of brokers, bankers underwriters etc
- Prospectus is an invitation, it helps to inform and attract the investing public

Methods of issuing securities in the in Primary Market

2.Offer for sale(OFS)

It is an indirect way of selling securities to the public. Under this method the entire lot of securities are first sold to an intermediary at a fixed price. The intermediary may be issuing houses or stock brokers. The intermediary then resells these shares to the investing public at a higher price. The issuing company thus saved from the tedious process involved in making public issue.

LODHA GROUP PLANS AN IPO



- Lodha Group Plans Filing Rs 5,000 Cr IPO This Week
- IPO Will Have Both Fresh Issue, OFS
- Kotak, CLSA , JM Fin, Morgan Stanley Lead Bankers To Lodha Grp IPO

OFFER FOR SALE

at BSE, NSE

The difference between purchase price and selling price is the profit (Turn) of the intermediary.

Methods of issuing securities in the in Primary Market

3.Private placement

Private placement is the allotment of securities by a company to institutional investors like LIC,UTI etc. and some selected individuals. This method helps to raise capital more quickly than a public issue through prospectus. Companies which cannot afford a public issue can choose private placement.



Private
Placement

- It is a way of selling securities to private investors.
- It ensures shares available to only a limited number of suitable investors.
- Does not require 'underwriting'.
- It is beneficial to all types of companies because it is less expensive and less time consuming.

Methods of issuing securities in the in Primary Market

4.Right issue

A rights issue is an invitation to existing shareholders to purchase additional new shares in the company in proportion to their existing holdings. Right issues are offered when an existing company issues additional shares(FPO) to increase their capital. It is generally offered at a price below the current market price.to exercise this right.



**Right
Issues**

- It is only a right,there is no obligation to exercise this right.
- It is chance to existing shareholders to purchase additional new shares in the company at a discounted rate.

Methods of issuing securities in the in Primary Market

5.e-IPOs

It refers to issuing securities through on-line system of stock exchange .SEBI registered brokers have to be appointed for the purpose of accepting applications and placing orders with the company. The issuing company should also appoint a registrar to the issue. The share can be listed in any stock exchange other than the exchange through which it has offered for its securities.



Capital Market

WHAT DO THEY MEAN?

IPOs

The **first** ever offering of subscription to the public is called an **Initial Public Offering (IPO)**

FPOs

Any **subsequent** invitation to invest in the same business is known as **Follow-on Public Offering (FPO)**

Secondary Market

2.Secondary market

Secondary market is the market for purchase and sale of existing or listed securities. It is a market in which shares, debentures, bonds etc. which have already been issued by companies/Govt. are traded. Secondary market merely transfers existing securities from buyer to seller. The company is not a direct party in it. Secondary market provides liquidity to existing securities and thereby indirectly promotes capital formation.



- Secondary market is also known as Stock Exchange.
- It consist of buyers and sellers of securities, brokers, stock exchange etc.
- It provide liquidity to the listed shares.
- Secondary market is essential for primary market and vice versa

Stock Exchange

Stock Exchange is an organised and regulated financial market where listed securities like shares, debentures, bonds etc. are bought and sold. Here prices are determined by the forces of demand and supply. When a business raises capital by issuing shares, the owners of those new shares are likely going to want to sell their stake someday. Stock exchanges provide a ready and continuous market for the sale and purchase of existing securities. Therefore stock exchange is known as secondary market.



- In India there are 23 Stock Exchanges,
- Most Active Stock Exchanges NSE & BSE
- First Indian Stock Exchange- BSE, established in 1875, located at Dalal Street, Mumbai
- NSE was established in 1992

Functions of Stock Exchanges

- 1. Providing liquidity and marketability to existing securities**
- 2. Determines Price of securities**
- 3. Safety of transactions**
- 4. Enhance economic growth of a country**
- 5. Provides scope for speculation**
- 6. Spreading of Equity Culture**
- 7. Capital formation**



Functions of Stock Exchanges

1. Providing liquidity and marketability to existing securities

Main function of a stock exchange is to provide a ready and continuous market for the sale and purchase of existing securities. This provides both liquidity and easy marketability to the existing securities in the market.

Ensure Liquidity
If demand exists

2019 ജൂൺ 13 വ്യാഴം

ഓഹരി		NSE / BSE		Icicibank		418.00	
സെൻസെക്സ്		Axis bank		Infy		753.80	
39,756.81		Bajaj-auto		Itc		279.95	
193.65		Bhartiartl		Lt		1509.25	
നിഫ്റ്റി		Bhel		M&m		632.20	
11,906.20		Cipla		Maruti		6852.00	
		Coalindia		Ntpc		134.40	
		Drreddy		Ongc		170.85	
		Gail		Reliance		1332.15	
		Hdfc		Sbin		344.00	
		Hdfcbank		Sslt		170.10	
						Tatasteel	
						505.85	
						Tcs	
						2260.90	
						Wipro	
						298.00	
						NSE Only	
						Acc	
						1579.05	
						Ambujacem	
						220.55	

READY
MARKET

Functions of Stock Exchanges

2.Determines Price of securities

It helps in determining the price of securities through the forces of demand and supply. Under the existing on line screen based electronic trading system, computer screens display constant information on prices of securities.



On line Trading-Screen Based Trading System(SBTS)

Functions of Stock Exchanges

3. Safety of transactions

The membership and dealings of a stock exchange are regulated by well defined existing legal frame work. Trading is run through SEBI registered stock brokers only. This ensures safety of transactions.



+ Strict Rules



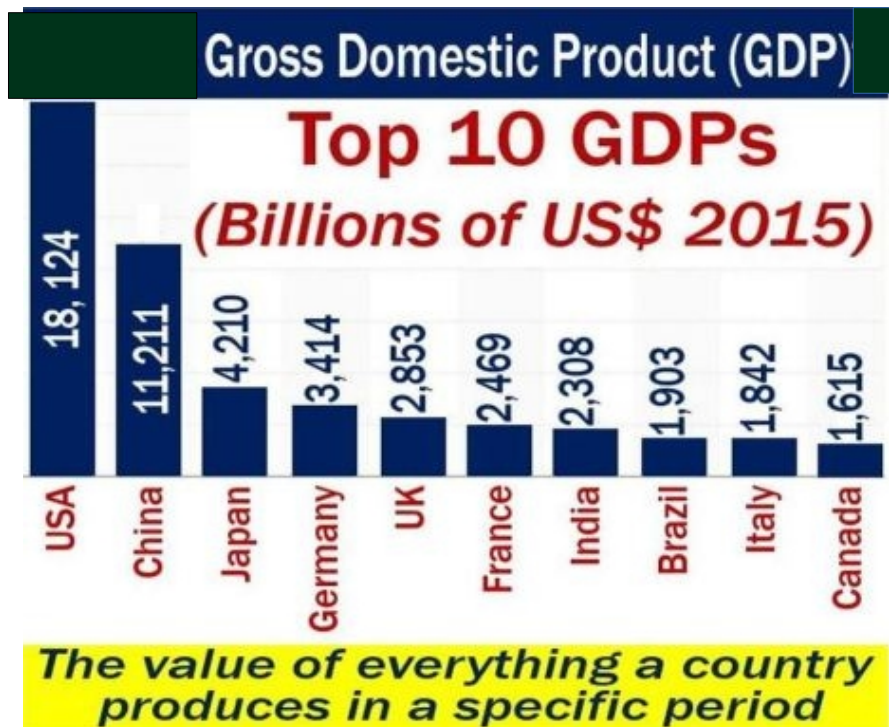
भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

SEBI- The watch dog of Stock Market

Functions of Stock Exchanges

4. Enhance economic growth of a country

A stock exchange is a market in which existing securities are bought and sold. It provides liquidity to existing securities. It will attract more investors in capital market and thereby more companies can raise adequate capital through issue of shares and debentures.



Functions of Stock Exchanges

5.Provides scope for speculation

The stock exchange provides scope for speculation in a restricted and controlled manner. A certain degree of healthy speculation is necessary to ensure liquidity and price continuity in the stock market.

SAVE	INVEST	SPECULATE
		
Money Market Accounts Savings Accounts Certificates of Deposit Slow Growth	Stocks Real Estate Bonds Increased Risk	Bulls / Bears Day trading Currencies Very High Risk

Investment-Purchased 1000 Maruti's shares @125 for Rs.1,25,000 in 2003 ,when it made IPO and sold it in the year 2017 @ Rs 10,000 per share for Rs.1 Crore!.

Speculation-Buy 100 shares of Tata Steel Ltd @ Rs.500 per share at 10 AM on 17-06-2019 and sell it @472 per share on the same day evening and make a loss of Rs2800 (100X28)

Functions of Stock Exchanges

6. Spreading of Equity Culture

The stock exchange can play a vital role in ensuring wider share ownership by regulating new issues, better trading practices and taking effective steps in educating the public about investments.



Rakesh Jhunjhunwala
(An Indian Billionaire Investor
and Trader. Net worth around
21,000 Crores)

Functions of Stock Exchanges

7.Capital formation

An active secondary market is essential for the success of a primary market. Through primary market big business firms raise their capital.

Primary market

- Here, companies sell stocks to the public for the first time.
- This is done through a process known as Initial Public Offering (IPO)

IPO
FPO

Secondary market

- Here, investors and traders buy and sell stocks to each other
- The company does not participate in these transactions



Screen Based Trading System (SBTS) in Stock Exchange

In order to provide efficiency, liquidity and transparency, NSE introduced a nationwide, on-line, fully automated screen based trading system (SBTS) in 1994, where a member can punch into the computer the quantities of a security and the price at which he would like to transact, and the transaction is executed as soon as a matching sale or buy order from a counter party is found. Here orders are match on the basis of time and price priority.

**Ensure Fair
Trading**

**Replace Open
Outcry System**



Advantages of Screen Based Trading System (SBTS)

1. It ensures transparency
2. Increases efficiency of information
3. Increases efficiency of Operation
4. Wide coverage improve liquidity
5. A single trading platform

Online
Trading
Monday-Friday
9.15 AM-3.30 PM



The on-line trading system of BSE is known as BOLT (BSE's On-line Trading System), while that of NSE is known as NEAT (National Exchange for Automated Trading)

Advantages of Screen Based Trading System (SBTS)

1. It ensures transparency

Electronic trading system allows participants to see the prices of all securities in the market while business being transacted. It ensures transparency.



Advantages of Screen Based Trading System (SBTS)

2.Increases efficiency of information

Computer screens in brokers offices display information on share prices, historical prices, capital market developments that influences share prices etc.This increases the efficiency of information.



**Comprehensive
Information**



Advantages of Screen Based Trading System (SBTS)

3.Increases efficiency of Operation

Electronic trading system reduces time, cost and risk of error involved in trading of securities. It increases efficiency of operation



Huge volume leads to less brokerage---Live Purchase,----Transparency

Advantages of Screen Based Trading System (SBTS)

4. Wide coverage improve liquidity

Screen based trading allows people from India and abroad to participate in stock market operations like purchase and sale securities etc.

**Buy Order Placed
Bank Account Debit on T+1
Demat Account is Credited on T+2**



**Sell Order Placed
Demat Account Debit on T+1
Bank Account Credited on T+2**



**If demand
exist we can
convert our
share into
cash within
2 Days**

Advantages of Screen Based Trading System (SBTS)

5.A single trading platform

Trade takes place in all the trading centres at the same time. Thus all the trading centres spread across the world have been brought into a single platform, i.e, the stock exchange server computer.



Steps in Trading and Settlement Procedure

1. Selection of a broker and open a trading account
2. Opening Demat account
3. Placing the order with broker to buy/sell securities
4. Executing the order
5. Settlement



Steps in Trading and Settlement Procedure

1. Selection of a broker and open a trading account

In stock exchange a person cannot purchase or sell securities directly, it is possible only with the help of an intermediary known as share broker.

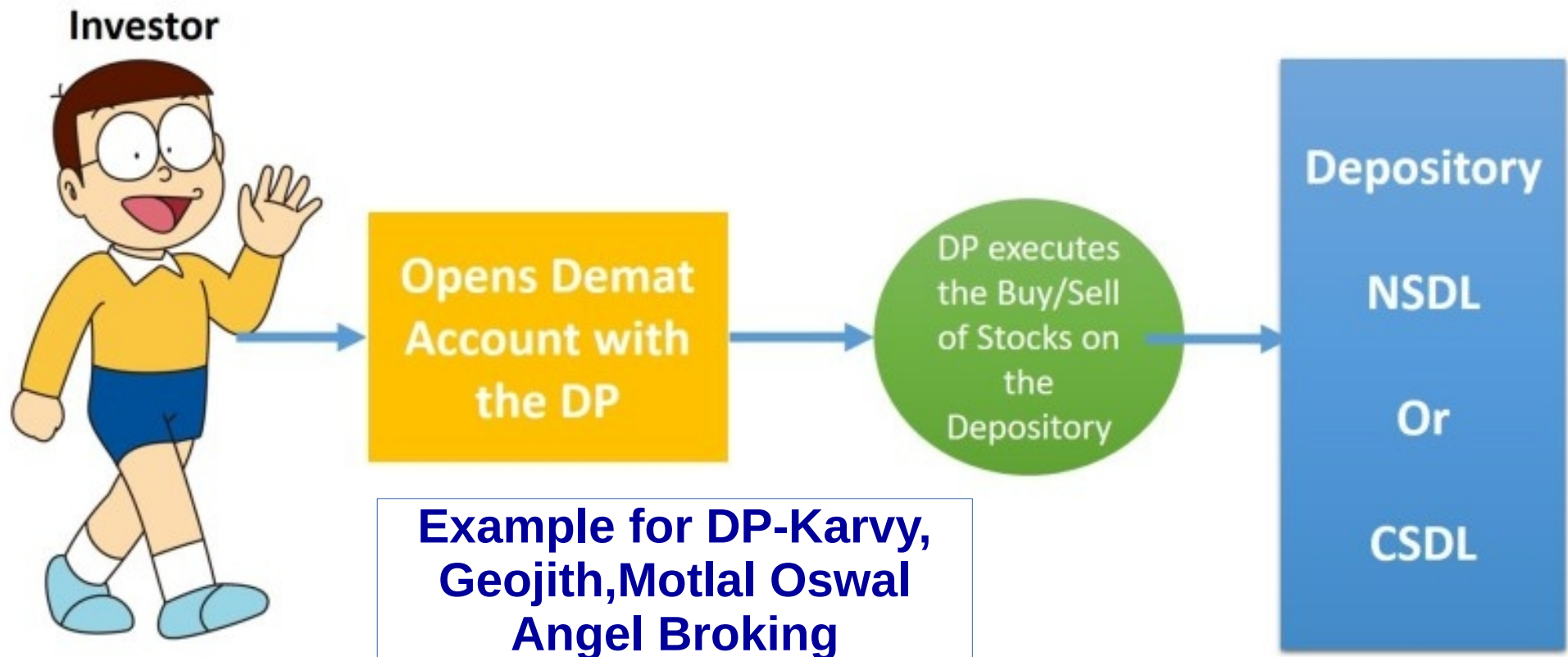


TOP
10
Share
Broking
Firms

Steps in Trading and Settlement Procedure

2. Opening Demat account

Demat account is an account that is used to hold shares and securities in electronic format. The investor has to open a 'Demat' account with Depository Participant (DP) for holding and transferring securities in the demat form.



Steps in Trading and Settlement Procedure

3.Placing the order with broker to buy/sell securities

The investor then places an order with the broker to buy or sell shares. Clear instruction has to be given about the number of shares and the price at which the shares should be bought or sold.

The diagram illustrates the process of placing a share order. On the left, an **Investor** is shown from the back, talking on a mobile phone. A yellow speech bubble from the investor says: "Buy 100 shares Of RIL @ Rs.1280 Per share". In the center, there is a screenshot of a stock quote for Reliance Industries Limited (RIL) as of June 19, 2019, at 12:40:20 IST. The quote shows the current price at 1,282.50, which is up 1.50 (0.12%) from the previous close of 1,281.00. The opening price was 1,286.90. On the right, a **Share Broker** is shown at a desk, also on the phone. A yellow speech bubble from the broker says: "Yes Sir Order Placed". A yellow callout box points to the quote screenshot with the text: "Current Rate @NSE".

Investor

Buy 100 shares Of RIL @ Rs.1280 Per share

Share Broker

Yes Sir Order Placed

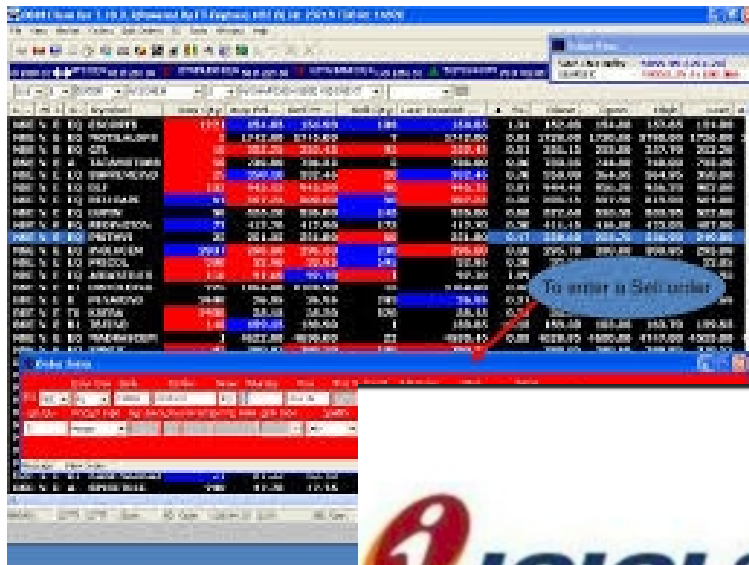
Current Rate @NSE

Quote As on Jun 19, 2019 12:40:20 IST		
Reliance Industries Limited		
Series: EQ		
Symbol: RELIANCE	ISIN: INE002A01018	Status: Listed
Symbol P/E: 23.09	Sectoral Index P/E: 30.84	Sectoral Index
1,282.50	Pr. Close	Open
▲ 1.50 0.12%	1,281.00	1,286.90

Steps in Trading and Settlement Procedure

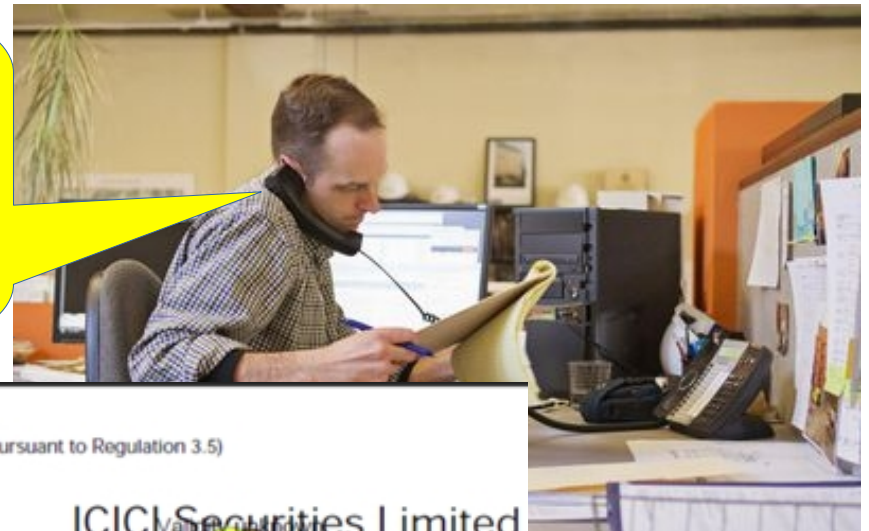
4.Executing the order

The computer in the broker office is constantly matching the orders at the best bid and offer price. When price mentioned arrived in the market, the order will be executed and it will be communicated to the broker's terminal. After the trade has been executed, the broker issues a 'Contract Note ' to the investor within 24 hours.



The screenshot shows a trading terminal window with multiple panes. The main pane displays a list of securities with columns for security code, name, price, and other details. The data is organized in a table format with alternating red and blue rows for different securities.

Sir your order
executed @
Rs.1280.Please
transfer money
within a day



CONTRACT NOTE
(Capital Market Segment of NSE) (Pursuant to Regulation 3.5)

 **ICICI Securities**

ICICI Securities Limited

Digitally
Prasanna
Date: 2011-11-22 05:53 IST
Reason: C
Location: Mumbai

Steps in Trading and Settlement Procedure

5.Settlement

In this stage the investor has to deliver the shares sold or he has to pay cash for the shares purchased. This should be done immediately after receiving the contract note or before the day when the broker shall make payment or delivery of shares to the exchange.



In case of Purchase

Buyer is required to transfer money to broker's account and the broker then transfer it to Stock Exchange.

In our above(RIL) example it should be Rs.1,28,650

$[1280 \times 100 = 128000 + 650 (\text{Brokerage } 0.3\% + \text{S.Tax } 0.2\%)]$. Brokerage may vary from firm to firm

Buyer's broker is required to credit

100 reliance share into Buyer's Demat Account within 3 days from the date of purchase (Trading Day + 2 Day)

The investor can hold this Share as long as he wish

National Stock Exchange (NSE)

The NSE was established in 1992 and started trading in 1994. NSE was the first exchange in the country to provide a modern, fully automated screen-based electronic trading system which offered easy trading facility to the investors spread across the country.



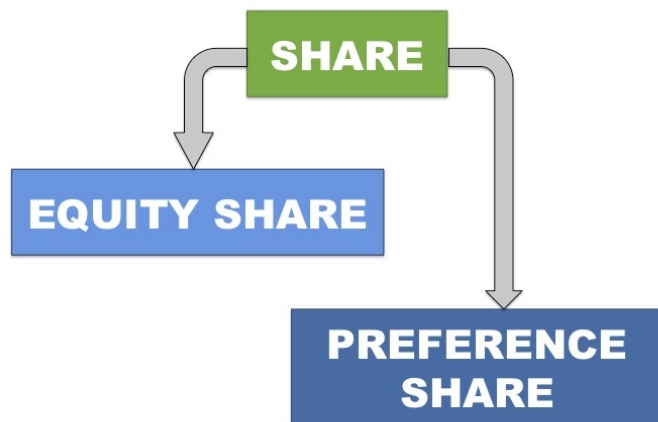
Turnover -NSE (18-06-2019)
Equity(Cash)- Rs.30,918 Cr
F &O- Rs.11,74,332 Cr
Total- Rs.12,05,250 Cr
NIFTY ON (19-6-19) **11691**

- It is world's 12th Largest Exchange
- It is promoted by LIC, SBI, IFC, IDFC etc.
- The *NIFTY 50* is the flagship index on NSE.
- Nifty consists of 50 stocks representing 23 industry sectors
- It covers all parts of the country
- It has no trading floor
- All transactions are electronically conducted

Segments in NSE

NSE provides trading in 3 different segments viz.,

1. **Capital Market (CM) segment**
2. **Futures & Options (F&O) segment.**
3. **Wholesale Debt Market (WDM) segment**



Segments in NSE

1.Capital Market (CM) segment

Under this segment NSE deals with equity shares, debentures, preference shares etc.

SECURITIES

—TYPES OF SECURITIES—

Equity Shares	Sweat-Equity
Preference Shares	Bonds
Non-Voting Shares	Debentures
Right Shares	Share Warrant
Bonus Shares	

SHARE CERTIFICATE
PADAM ELECTRICALS LIMITED
(Incorporated under the Companies Act, 1956)
Regd. Office : P. S. Bhawan, A-25, G. T. Karnal Road, Industrial Area, Delhi-110033

This is to Certify that the person(s) named in this certificate is/are the Registered Holder(s) of the within-mentioned share(s) bearing the distinctive number(s) herein specified in the above Company subject to the Memorandum and Articles of Association of the Company and that the amount endorsed hereon has been paid up on each such share.

EQUITY AMOUNT	SHARES PAID UP	EACH PER	OF SHARE	RUPEES RUPEES
------------------	-------------------	-------------	-------------	------------------

Reg. Folio No. _____ Certificate No. _____

Name(s) of Holder(s) _____

No. of Share(s) Held _____

Distinctive No.(s) _____

Given under the Common seal of the Company this _____

Chairman _____ Managing Director _____

AUTHORISED SIGNATORY

Note : No transfer of any of the Share comprised in this certificate will be registered unless accompanied by the certificate.

Segments in NSE

2. Futures & Options (F&O) segment

Futures & Options segment of NSE provides trading in derivatives instruments like Index Futures, Index Options, Stock Options, Stock Futures etc.

NIFTY
Future



Segments in NSE

3. Wholesale Debt Market (WDM) segment

The Wholesale Debt Market segment provides the trading platform for trading of a wide range of debt securities which includes State and Central Government securities, T-Bills, PSU Bonds, CPs, CDs etc.



A bond is basically a loan that an investor provides to a company or government.



Bombay Stock Exchange (BSE)

The Bombay Stock Exchange (BSE) is Asia's oldest stock exchange. It is Located at Dalal Street, Mumbai. BSE was established in 1875. Shares of more than 5,000 companies are traded on BSE. Its benchmark index, the Sensitive Index (Sensex) was launched in 1986. In 1995, the BSE launched its fully automated trading platform called BSE On-Line Trading system (BOLT) which fully replaced the open outcry system.

SENSEX-BSE Index

It is the index of 30 well-established and financially sound companies listed on Bombay Stock Exchange.

SENSEX ON 19-06-19

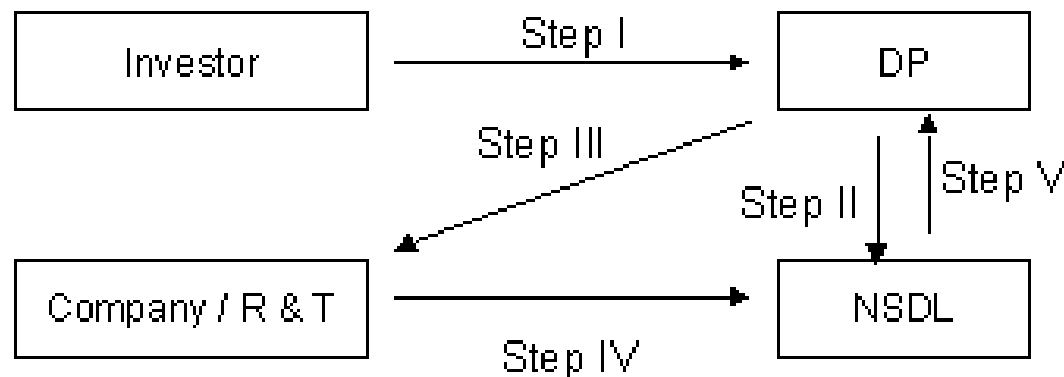
Sensex-39112



Dematerialisation

Dematerialisation is the process of converting physical shares into electronic format. An investor who wants to dematerialise his shares needs to open a demat account with Depository Participant (DP). Investor surrenders his physical shares and in turn gets electronic shares in his demat account. Depository like CDSL or NSDL is the body which is responsible for storing and maintaining investor's securities in demat format. Dematerialisation was introduced in 1996. Now all IPOs are issued in dematerialisation form and more than 99% of turnover is settled by delivery in the demat form.

DEMATERIALISATION PROCESS



Dematerialisation-Process

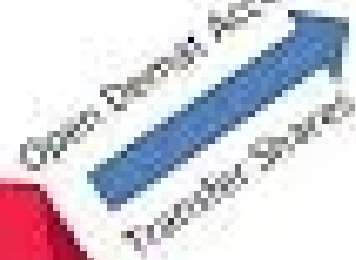
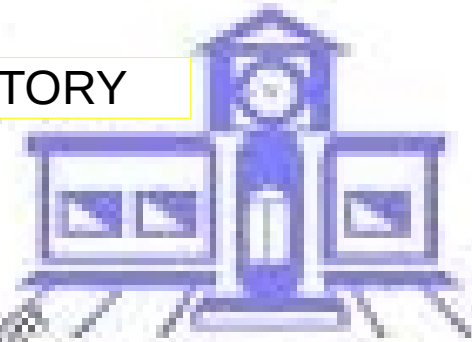
- 1. Investor surrenders the physical certificate to DP for dematerialisation**
- 2. DP informs the Depository about the request**
- 3. DP submit the physical certificate to the Registrar of issuing company**
- 4. Registrar communicates with the Depository to confirm the request**
- 5. Dematerialisation of the certificates is done by the Registrar**
- 6. Accounts are updated by the Registrar and the depository is informed about the completion of dematerialisation**
- 7. Accounts are updated by the Registrar and DP is informed about the same**
- 8. Demat account of investor is updated by DP .Process Completed**

Dematerialisation

Dematerialisation

INVESTOR

DEPOSITORY



DEPOSITORY PARTICIPANT (DP)

Securities Exchange Board of India (SEBI)

Securities Exchange Board of India (SEBI) was set up in 1988 to regulate the functions of securities market. SEBI promotes orderly and healthy development in the stock market. The main objective of SEBI is to facilitate the growth and development of the capital markets and to ensure that the interests of investors are protected. SEBI is actually the watch dog to observe the activities in the securities market and controlling them.



**The market
regulator
'SEBI'**



Reasons for Establishment of SEBI

The capital market witnessed a tremendous growth during 1980's .With the growth in the dealings of stock markets, lot of malpractices also started in stock markets such as price rigging, 'unofficial premium on new issue, and delay in delivery of shares, violation of rules and regulations of stock exchange and listing requirements. So government of India decided to set up an agency or regulatory body known as Securities Exchange Board of India (SEBI).It was established in 1988.



Purpose and Role of SEBI

SEBI was set up to meet the needs of three groups:

1.Issuers

For issuers, it provides a market place in which they can raise finance fairly and easily.

2.Investors

For investors, it provides protection of their rights and supply of accurate and correct information on a continuous basis.

3.Intermediaries

It provides competitive and professional market with adequate and efficient infrastructure so that they are able to render better service to the investors and issuers.

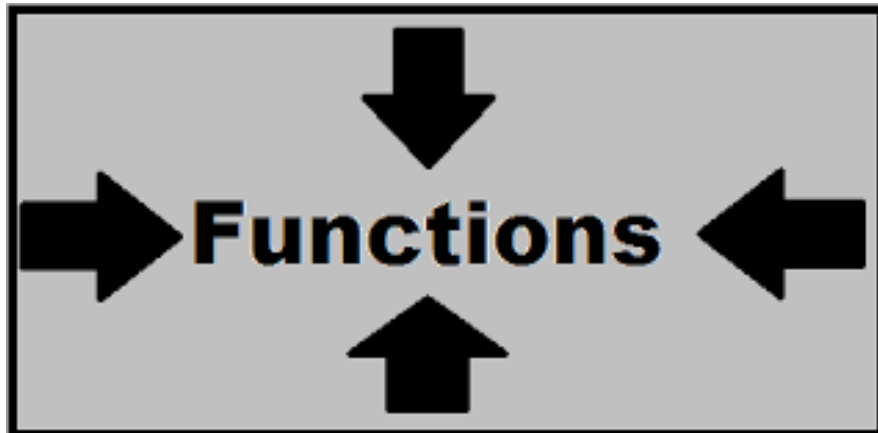
Objectives of SEBI

- 1.To protect the rights of investors and ensuring safety to their investments.**
- 2.To prevent fraudulent and malpractices by applying statutory regulations.**
- 3.To regulate and develop a code of conduct for intermediaries such as brokers, underwriters,etc.**
- 4.To Regulate stock exchanges and the securities industry to promote their orderly function**



Functions of SEBI

- 1. Protective Function
- 2. Development Function
- 3. Regulatory function



Protective Functions of SEBI

1. It checks price rigging
2. Prohibits insider trading
3. Prohibits fraudulent and Unfair Trade Practices
4. Educate investors
5. Issues guidelines



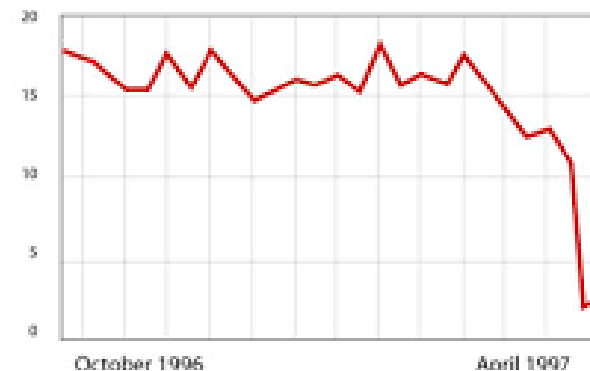
Protective Functions of SEBI

1.It checks price rigging

Price rigging refers to manipulating prices of securities with the main objective of inflating or depressing the market price of securities .SEBI prohibits this practice because this can cheat the investors.



Share Price Collapses...



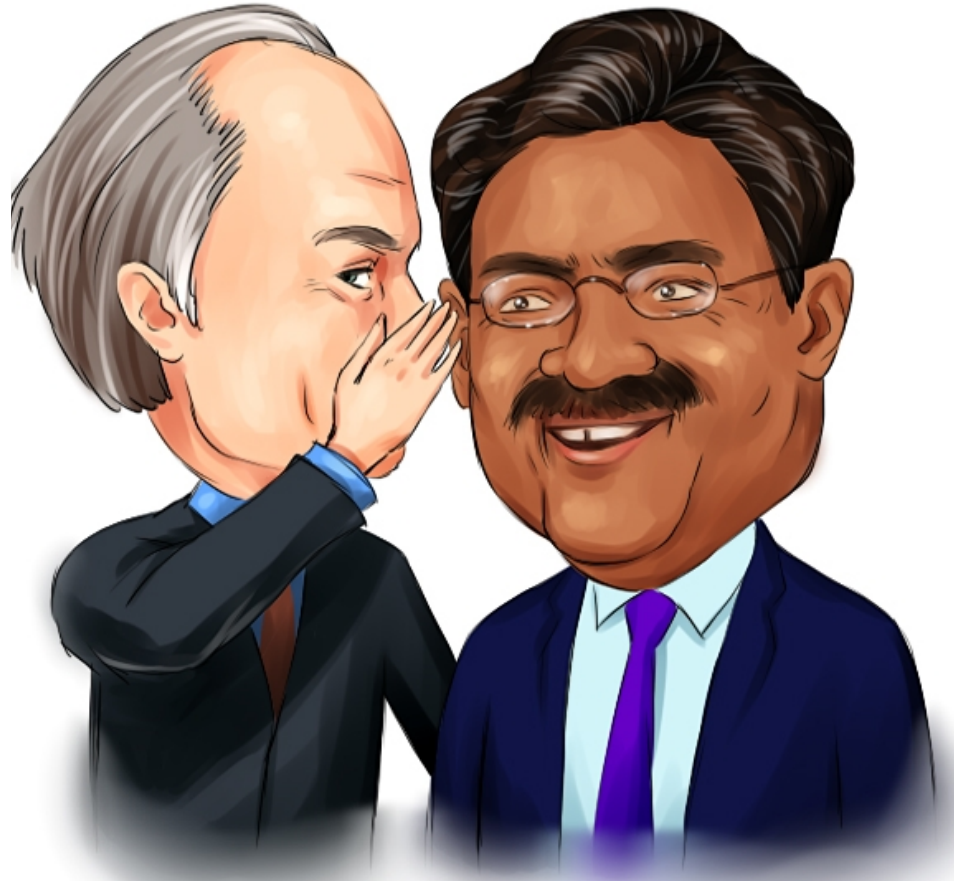
SEBI initiated probe in 117 new cases of market manipulation and price rigging in FY18, says annual report

**SEBI's
Action
2018**

Protective Functions of SEBI

2.Prohibits insider trading

Controlling insider trading and imposing penalties for such practices.



Protective Functions of SEBI

3. Prohibits fraudulent and Unfair Trade Practices

SEBI always restricts the companies which make misleading statements which are likely to induce the sale or purchase of securities by any other person.



Protective Functions of SEBI

4. Educate investors

SEBI educates investors by conducting online and offline seminars that help investors get insights on the financial market and money management.



Protective Functions of SEBI

5. Issues guidelines

SEBI issues guidelines to protect the interest of investors .SEBI should enforce the laws for stock exchanges to follow.



भारतीय प्रचिकुति और विनिमय बोर्ड
Securities and Exchange Board of India

6. If during inspection it is found that a member has reported falsely the margin collected from clients, the member shall be penalized 100% of the falsely reported amount, along with suspension of trading for 1 day in that segment.
7. The penalty shall be collected by the Stock Exchange within five days of the last working day of the trading month and credited to its Investor Protection Fund.
8. SEBI shall examine implementation of this circular during inspection of the Stock Exchange.



Development Function of SEBI

1.Training to intermediaries

2.Conducting Research

3.Stock market Reforms



Capital Market Reforms



Development Function of SEBI

1. Training to intermediaries

SEBI promotes training of intermediaries of the securities market.

TRAINING



Development Function of SEBI

2. Conducting Research

It conducts research and publishes information useful to all market participants.

SEBI
MANUAL



Development Function of SEBI

3. Stock market Reforms

It undertakes measures to develop the capital markets by adopting flexible approach like internet trading through registered stock brokers, made under writing as optional etc.



Regulatory function of SEBI

1.Registration of Brokers and Agents

2.Notifications of Rules and Regulations

3.Levying of Fees

4.Regulator of Investment Schemes

5.Inspection and Enquiries



Intermediaries

- Stock brokers
- Share transfer agents
- Trustees of trust deeds
- Registrars to an issue
- Merchant bankers
- Underwriters
- Custodians
- Credit rating agencies

Regulatory function of SEBI

1.Registration of Brokers and Agents

It registers brokers, sub-brokers, transfer agents, merchant banks etc. and control their activities.



Top 10 Stock Brokers in India



CONTROL



Regulatory function of SEBI

2. Notifications of Rules and Regulations

It notifies rules and regulations for the smooth functioning of all intermediaries in the securities' market.



RULES!

1. You SHALL!
2. You WILL!
3. You MUST!

Regulatory function of SEBI

3. Levying of Fees

It levies fees, penalties and other charges for contravening its directions and orders.



Regulatory function of SEBI

4.Regulator of Investment Schemes

It registers and regulates collective investment schemes and mutual funds.

ROI stock market return portfolio
inc gro income finance
INVESTMENT
with portfolio mutual funds

Mutual Funds

A Better way of Investment



PRODUCTS & SERVICES



Financial Goals
Planning



Equity-Shares
and IPO



Portfolio Management
Services



Mutual Funds



Insurance



Training

Jd

Regulatory function of SEBI

5. Inspection and Enquiries

It undertakes inspection and conducts enquiries & audit of stock exchange



Organisational Structure of SEBI

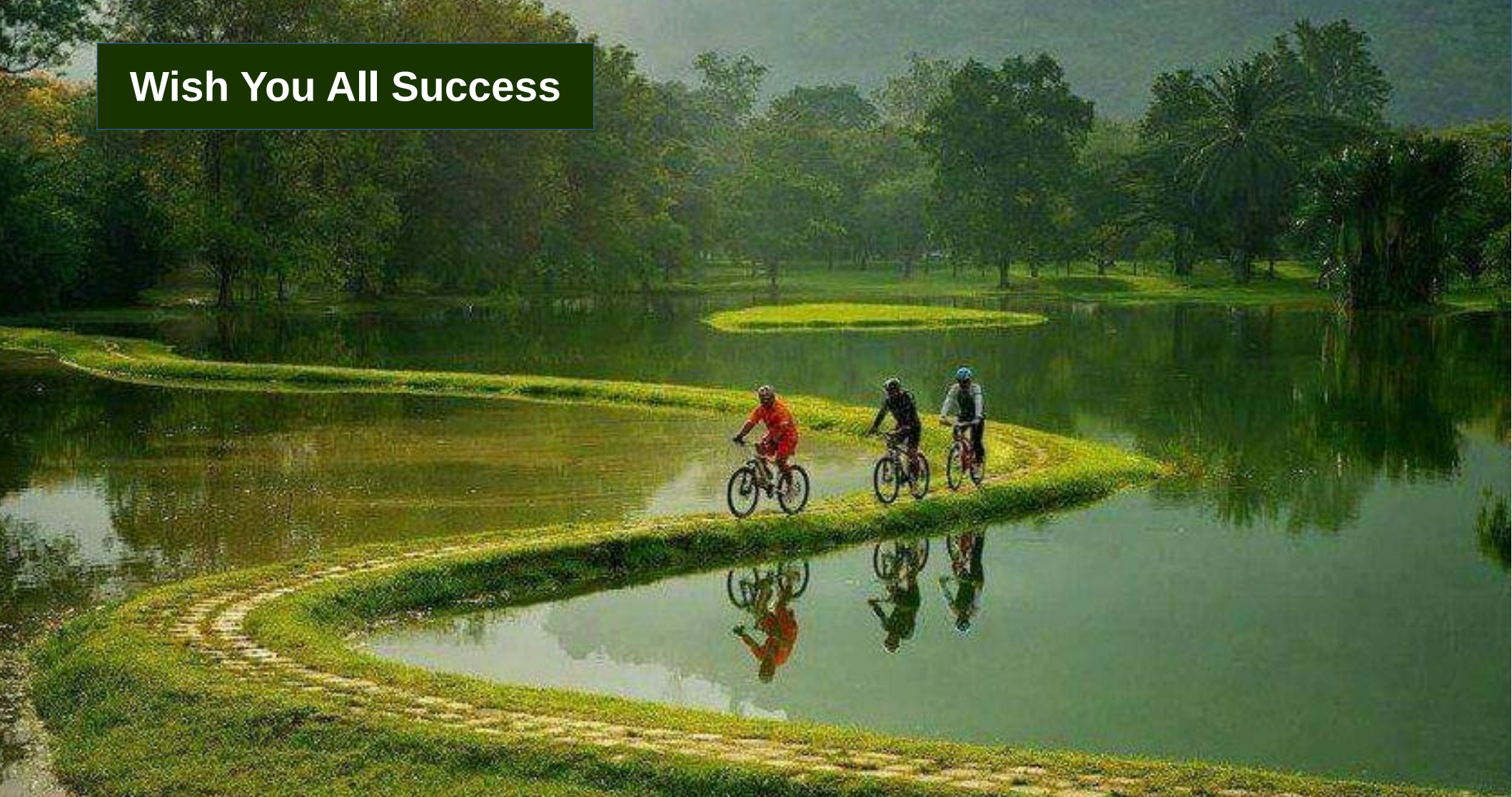
SEBI was formed in 1988 as a non-statutory body. It was made an Autonomous and Independent Regulatory body after the passing of SEBI Act, 1992. It functions under the Ministry of Finance. SEBI has formed two advisory committees to deal with primary and secondary markets. These committees consist of market players, investors associations and eminent persons.



SEBI -The Watch Dog of Capital Market



Wish You All Success



HSSLiVE.IN

Prepared By

**BINOY GEORGE, HSST
MKNM HSS, KUMARAMANGALAM
THODUPUZHA**

